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CORPORATION FILE

MELVILLE SHOE CORPORATION

INVESTMENT
DIVISION
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Annual Report

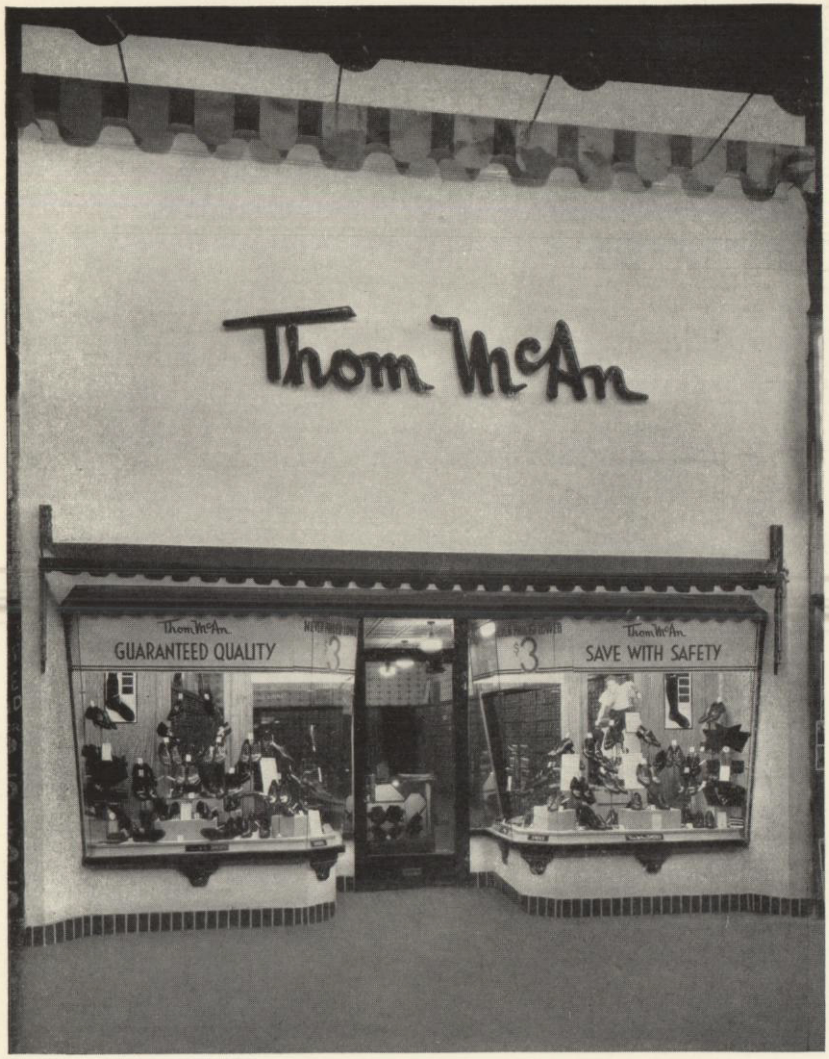
1934

Operating

JOHN WARD MEN'S SHOES

RIVAL SHOE STORES

THOM MCAN



An example of an enlarged and improved Thom McAn store: Store No. 244, at 54 Monroe Avenue, in the downtown business district of Detroit, Michigan.

Since remodelling, this store is showing a gain of 50% in pairs sold over the preceding year.

MELVILLE SHOE CORPORATION

OFFICERS

Frank Melville, Jr.	*Chairman of the Board*
Ward Melville	*President*
William Fitch Allen	*Vice-President*
William J. Cobb	*Vice-President*
Elbert R. Allen	*Treasurer*
Joel E. Fisher	*Secretary*
Cyril J. Richards	*Assistant Treasurer*
Arthur Paar	*Assistant Secretary*

DIRECTORS

William Fitch Allen	Clarke & Allen
Frederick S. Little	Chairman, R. C. Rathbone & Son, Inc.
J. Franklin McElwain	President, J. F. McElwain Co.
Frank Melville, Jr.	*New York*
Ward Melville	*New York*
Joseph L. Merrill	E. A. Pierce & Co.
Harry Eliot Robinson	E. C. Benedict & Co.

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Melville Realty Corporation

Ward Melville	*President*
William Fitch Allen	*Vice-President*
Elbert R. Allen	*Treasurer*
Arthur Paar	*Secretary*
Cyril J. Richards	*Assistant Treasurer*
Joel E. Fisher	*Assistant Secretary*

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The R-W Realty Co., Inc.

Ward Melville	*President*
William Fitch Allen	*Vice-President*
Elbert R. Allen	*Treasurer*
Arthur Paar	*Secretary*
Cyril J. Richards	*Assistant Treasurer*
Joel E. Fisher	*Assistant Secretary*

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Broadway & 52nd Street Corporation

Arthur Paar	*President*
Murray F. Johnson	*Vice-President*
Elbert R. Allen	*Treasurer*
Joel E. Fisher	*Secretary*

To Our Stockholders:

The annual report of Melville Shoe Corporation for the year ending December 31, 1934, is submitted herewith for your consideration.

You will note that the Company's net income for the year amounted to $1,692,912.58 as against $1,355,516.55 in 1933. This represents earnings of $4.16 per share, after preferred dividends paid, on the 371,461 shares of common stock outstanding, as compared with earnings of $3.22 per share in 1933.

Dollar sales for the year were $27,215,927.63 as compared with $21,112,783.33 in 1933, an increase of 28.90%, while unit sales for the twelve months were 7,686,068 pairs of shoes, as against a total of 6,369,254 pairs in 1933, a gain of 20.66%, and 5,795,498 pairs of hosiery, as against 4,575,558 pairs of hosiery in 1933, a gain of 26.66%.

Total current assets of the Corporation on December 31 were $7,572,315.60 as against total current liabilities of $1,979,130.51 or a ratio of 3.8 to 1. On the same date cash on hand and in banks amounted to $3,859,459.53, which was approximately enough to cover all current liabilities twice over.

The outstanding feature of your Company's operation in 1934 was the immediate and substantial rise in sales following two major price reductions. We believed that the economics of the recovery situation indicated strongly the need for a wider distribution of goods, and our current experience showed that such wider distribution could be secured only with the incentive of lower prices. It seemed wise, therefore, that price reductions should be made to a point that would secure balance between purchasing desire and possibilities on the one hand, and practicable costs on the other. The result of the augmented volume was an increase in factory employment rolls and operatives' earnings. The economic soundness of the action was demonstrated by the fact that profitable store operation followed.

The first of these price changes became effective on August 18, when we lowered the price of Thom McAn men's shoes from $3.40 to $3. The increase in volume that followed was most gratifying, the extra production during the second half of the year making necessary the addition of two new men's factories, which secured still lower factory costs for the Thom McAn chain.

The second reduction was in the John Ward operation. Prices in these stores had previously been maintained at $6, $7 and $8. Convinced by our experience in Thom McAn that a reduction to the lowest level at which we could operate profitably if a materially increased demand should result would be equally successful in these stores, we dropped the price of John Ward shoes to $5.50 a pair on September 7, with the result that our volume of sales was greatly enlarged. Moreover, due to increased manufacturing efficiencies and the reduction in unit selling costs, we have been able to maintain the previous high standard of these John Ward shoes and even to improve their quality in certain respects.

The closing months of 1934 also witnessed the negotiation of the sale by your Company of the Rival Shoe Company chain, comprising 17 retail stores in the metropolitan area, such sale being effective as of January 1, 1935. Your Company's reasons for this sale, the effects of which naturally are not reflected in the balance sheet for 1934, will be easily understood. For some years, due to the fact that Rival's in-between price was too close both to John Ward and Thom McAn, these stores have been increasingly difficult of satisfactory operation, and it was finally decided to discontinue the line entirely in order to concentrate on the two non-conflicting chains, the John Ward stores operating chiefly in New York City, and the Thom McAn stores, which operate in 303 cities in 39 states.

The latter chain, the far Western boundaries of which were pushed during 1934 to Phoenix, Arizona, and Salt

Lake City, Utah, added 69 new stores during the period of the report. In addition ninety-five successful old stores were remodeled to such effect that they are now showing an accelerated gain curve, while thirty-four other stores were moved to better locations in their same cities. To these stores, which are spread throughout the country so as to share in the fortunes of a large number of diversified communities, we expect to add new units during 1935 at the rate of one a week, at the same time continuing our policy of remodeling successful old stores to improve their profit possibilities. The total number of stores in operation as of December 31 was: 11 John Ward stores, and 560 Thom McAn stores, in addition to the 17 Rival stores since sold.

I should like to add that at a meeting of the Board of Directors on January 3, 1935, Mr. William J. Cobb, merchandising director of the Company for the last six years, was appointed vice-president. Also that during the year 1934 your Corporation applied for and was granted temporary registration under the Federal Securities Act. Your Company intends to file application for permanent registration and the detailed information to be contained in the statements filed for that purpose, in amplification of the figures published herein, will be available for examination by the stockholders.

The Board has asked me to convey its appreciation to all employees of the Corporation. Their fine zeal and loyalty were largely responsible for the results secured in the period of this report.

Respectfully submitted,

Ward Melville

President, Melville Shoe Corporation.

February 16, 1935.

ACCOUNTANTS' REPORT

To the Board of Directors,
MELVILLE SHOE CORPORATION,
WORCESTER, MASS.

We have made an examination of the Consolidated Balance Sheet of the Melville Shoe Corporation and its Subsidiary Companies—the R-W Realty Company, Inc., Melville Realty Company Inc., and Broadway & Fifty-second Street Corporation—as at December 31, 1934, and of the Consolidated Statements of Profit and Loss and Earned Surplus for the year 1934. In connection therewith, we examined or tested the accounting records of the Companies and other supporting evidence, and obtained information and explanations from officials and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Profit and Loss and Earned Surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Companies during the year under review, their consolidated position at December 31, 1934, and the results of their operations for the year.

PEAT, MARWICK, MITCHELL & CO.

WORCESTER, MASS.
February 11, 1935

MELVILLE SHOE CORPORATION

CONSOLIDATED

As at Decem

ASSETS

Current Assets:		
Cash in Banks and on Hand		$3,859,459.53
Accounts and Notes Receivable	$47,912.37	
Less Reserve for Doubtful Accounts and Notes	2,850.00	
		45,062.37
Inventories, at cost or market, whichever is lower		3,667,793.70
Total Current Assets		7,572,315.60
Cash in Closed Banks and on Restricted Deposit, less Reserve of $49,400.00		19,923.12
Accounts of Officers and Employees (of which $23,142.81 is fully secured)		26,039.40
Investments:		
Cash Surrender Value of approximately $1,000,000.00 of Life Insurance Policies	196,366.38	
Stock of Other Companies, at approximately market value	42,336.07	
		238,702.45
Fixed Assets, at estimated replacement values at December 31, 1931 as determined by the Corporation, plus subsequent additions at cost:		
Land and Buildings, Worcester	667,330.99	
Building on Leased Land, New York City	408,064.89	
Store and Office Fixtures, Improvements to Leased Store Properties, and Miscellaneous Equipment	3,264,698.43	
	4,340,094.31	
Less Reserve for Depreciation	2,107,231.44	
		2,232,862.87
Deferred Charges:		
Prepaid Insurance, Taxes, Rents and Supplies	148,166.76	
Bonuses, Commissions and Legal Expenses Paid to procure Lease Contracts	61,625.97	
		209,792.73
Common Stock in Treasury, 1,300 shares at cost (held for resale to an employee at an agreed price of $15,862.50)		21,697.50
Total		$10,321,333.67

AND SUBSIDIARY COMPANIES

BALANCE SHEET

ber 31, 1934

LIABILITIES

Current Liabilities:		
Note Payable, Bank		$ 150,000.00
Accounts Payable		1,373,139.62
Accrued Taxes, Salaries, Rents, etc		144,247.42
Provision for Federal Income Tax		311,743.47
Total Current Liabilities		1,979,130.51
Accounts of Officers and Employees		16,078.65
Store Managers' Security Deposits, and Deposits on Leases		140,432.06
Reserves for Self-insurance, Store Front Replacements, etc		142,717.35
Capital Stock:		
First Preferred 6% Cumulative Stock:		
Authorized 50,000 shares, $100.00 par value; Issued 25,000 shares	$2,500,000.00	
Deduct 4,507 shares Retired	450,700.00	
	2,049,300.00	
Less 845 shares in Treasury	84,500.00	
	1,964,800.00	
Second Preferred 6% Cumulative Stock:		
Authorized and Issued 100,000 shares, $5.00 par value	$500,000.00	
Deduct 8 shares Retired	40.00	
	499,960.00	
Common Stock, no par value:		
Authorized 500,000 shares; Issued 371,461 shares—declared value $1.25 per share	464,326.25	
		2,929,086.25
Surplus (of which $534,500 has been appropriated through repurchase of Company's preferred stock):		
Paid-in Surplus	1,110,881.55	
Earned Surplus (after providing for net deficits of subsidiary realty companies aggregating $269,460.02)	4,003,007.30	
		5,113,888.85
Contingent Liabilities—None Reported.		
Total		$10,321,333.67

MELVILLE SHOE CORPORATION AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account
For the Year Ended December 31, 1934

Sales		$27,215,927.63
Cost of Sales		18,145,698.17
Gross Profit		9,070,229.46
Store Operating and General and Administrative Expenses	$6,400,762.84	
Depreciation	360,112.07	6,760,874.91
Net Operating Profit of Stores		2,309,354.55
Net Loss on Real Estate Operations		114,137.31
Net Operating Profit		2,195,217.24
Interest Paid	8,810.27	
Bonuses and Commissions Paid for Lease Cancellations and Rent Reductions	68,535.18	
Miscellaneous Charges	197,564.88	
	274,910.33	
Less Miscellaneous Income	74,335.54	200,574.79
Net Income, before Federal Income Tax		1,994,642.45
Provision for Federal Income Tax		301,729.87
Net Income		$1,692,912.58
Earned on Amount of Common Shares outstanding at end of Period after deducting Preferred Dividends Paid		$4.16

Consolidated Earned Surplus Account
For the Year Ended December 31, 1934

Balance as at December 31, 1933		$3,124,430.12
Add—Net Income for the Year ended December 31, 1934		1,692,912.58
		4,817,342.70
Deduct Dividends Paid:		
On First Preferred Stock, 6%	$117,888.00	
On Second Preferred Stock, 6%	29,997.60	
On Common Stock, $1.80 per share	666,449.80	814,335.40
Balance as at December 31, 1934		$4,003,007.30

This report is published solely for the information of stockholders of the Corporation and is not intended for use in connection with any sale or purchase of stock

LIST OF STORES
MELVILLE SHOE CORPORATION

As at December 31, 1934

JOHN WARD—11 STORES

New York	8	Newark	1
Brooklyn	1	Philadelphia	1

RIVAL—17 STORES

New York	8	Philadelphia	3
Brooklyn	4	Newark	1
Astoria	1		

THOM McAN—560 STORES

(in 303 cities in 39 states)

Alabama (5)

Birmingham	2
Ensley	1
Gadsden	1
Mobile	1

Arizona (2)

Phoenix	1
Tucson	1

Arkansas (2)

Fort Smith	1
Little Rock	1

Colorado (3)

Denver	2
Pueblo	1

Connecticut (23)

Bridgeport	2
Danbury	1
Derby	1
Hartford	3
Meriden	1
Middletown	1
New Britain	1
New Haven	4

Connecticut—*Continued*

New London	1
Norwich	1
South Manchester	1
South Norwalk	1
Stamford	1
Waterbury	3
Willimantic	1

Delaware (2)

Wilmington	2

District of Columbia (4)

Washington	4

Florida (8)

Jacksonville	2
Lakeland	1
Miami	1
Pensacola	1
Tampa	2
West Palm Beach	1

Georgia (7)

Atlanta	4
Augusta	1
Macon	1
Savannah	1

ILLINOIS (29)

Aurora	1
Bloomington	1
Chicago	18
Danville	1
East St. Louis	1
Evanston	1
Kankakee	1
Moline	1
Peoria	1
Quincy	1
Rock Island	1
Springfield	1

INDIANA (16)

Anderson	1
Elkhart	1
Evansville	1
Fort Wayne	1
Gary	1
Indianapolis	3
Lafayette	1
Marion	1
Michigan City	1
Muncie	1
New Albany	1
Richmond	1
South Bend	1
Terre Haute	1

IOWA (5)

Council Bluffs	1
Davenport	1
Des Moines	1
Dubuque	1
Sioux City	1

KANSAS (2)

Kansas City	1
Wichita	1

KENTUCKY (6)

Covington	1
Lexington	1
Louisville	2
Newport	1
Paducah	1

LOUISIANA (7)

Baton Rouge	1
Monroe	1
New Orleans	4
Shreveport	1

MAINE (4)

Augusta	1
Lewiston	1
Portland	2

MARYLAND (9)

Baltimore	7
Cumberland	1
Hagerstown	1

MASSACHUSETTS (54)

Allston	1
Arlington	1
Attleboro	1
Boston	6
Brockton	1
Cambridge	1
Chelsea	1
Dorchester	3
East Boston	1
Everett	1
Fall River	2
Fitchburg	1
Framingham	1
Gloucester	1
Greenfield	1
Haverhill	1
Holyoke	1
Hyde Park	1
Lawrence	2

MASSACHUSETTS—*Continued*

- Lowell . . . 1
- Lynn . . . 2
- Malden . . . 1
- Medford . . . 1
- New Bedford . . . 3
- Norwood . . . 1
- Pittsfield . . . 1
- Quincy . . . 1
- Roxbury . . . 1
- Roslindale . . . 1
- Somerville . . . 2
- South Boston . . . 1
- Salem . . . 1
- Springfield . . . 2
- Taunton . . . 1
- Wakefield . . . 1
- Waltham . . . 1
- Westfield . . . 1
- Woburn . . . 1
- Worcester . . . 2

MICHIGAN (20)

- Ann Arbor . . . 1
- Battle Creek . . . 1
- Detroit . . . 7
- Flint . . . 1
- Grand Rapids . . . 1
- Hamtramck . . . 1
- Highland Park . . . 1
- Jackson . . . 1
- Kalamazoo . . . 1
- Lansing . . . 1
- Muskegon . . . 1
- Pontiac . . . 1
- Port Huron . . . 1
- Saginaw . . . 1

MINNESOTA (6)

- Duluth . . . 1
- Minneapolis . . . 3
- St. Paul . . . 2

MISSISSIPPI (3)

- Greenville . . . 1
- Jackson . . . 1
- Vicksburg . . . 1

MISSOURI (11)

- Kansas City . . . 2
- Joplin . . . 1
- Springfield . . . 1
- St. Joseph . . . 1
- St. Louis . . . 6

NEBRASKA (3)

- Lincoln . . . 1
- Omaha . . . 2

NEW HAMPSHIRE (3)

- Concord . . . 1
- Manchester . . . 1
- Portsmouth . . . 1

NEW JERSEY (31)

- Asbury Park . . . 1
- Atlantic City . . . 1
- Bayonne . . . 1
- Bloomfield . . . 1
- Camden . . . 2
- Elizabeth . . . 1
- Hackensack . . . 1
- Harrison . . . 1
- Hoboken . . . 1
- Jersey City . . . 6
- Long Branch . . . 1
- Newark . . . 5
- New Brunswick . . . 1
- Orange . . . 1
- Passaic . . . 1
- Paterson . . . 2
- Plainfield . . . 1
- Trenton . . . 1
- Union City . . . 1
- West New York . . . 1

NEW MEXICO (1)

Albuquerque 1

NEW YORK (139)

Albany 3
Amsterdam 1
Auburn 1
Bay Shore 1
Binghamton 1
Buffalo 5
Elmira 1
Freeport 1
Glens Falls 1
Hempstead 1
Huntington 1
Jamestown 1
Kenmore 1
Mount Vernon 1
Newburgh 1
New Rochelle 1
New York (Manhattan and Bronx) . 47
(Brooklyn and Queens) . 51
(Richmond) 1
Niagara Falls 1
Olean 1
Peekskill 1
Poughkeepsie 1
Port Chester 1
Rochester 3
Schenectady 2
Syracuse 2
Troy 1
Utica 2
Yonkers 2
White Plains 1

NORTH CAROLINA (7)

Asheville 1
Charlotte 1
Durham 1
Greensboro 1

NORTH CAROLINA—*Continued*

Raleigh 1
Wilmington 1
Winston Salem 1

OHIO (36)

Akron 2
Alliance 1
Canton 1
Cincinnati 6
Cleveland 7
Columbus 3
Dayton 3
Elyria 1
Hamilton 1
Lima 1
Lorain 1
Norwood 1
Portsmouth 1
Springfield 1
Steubenville 1
Toledo 2
Youngstown 2
Warren 1

OKLAHOMA (3)

Muskogee 1
Oklahoma City 1
Tulsa 1

PENNSYLVANIA (49)

Ardmore 1
Allentown 1
Beaver Falls 1
Braddock 1
Butler 1
Chester 1
Erie 2
Greensburg 1
Harrisburg 1
Hazleton 1

PENNSYLVANIA—*Continued*

Homestead	1
Johnstown	1
Lancaster	1
McKeesport	1
New Castle	1
Philadelphia	20
Pittsburgh	5
Pottsville	1
Reading	1
Scranton	1
Wilkes-Barre	1
Williamsport	1
Wilkinsburg	1
Upper Darby	1
York	1

RHODE ISLAND (11)

Newport	1
Pawtucket	2
Providence	6
Westerly	1
Woonsocket	1

SOUTH CAROLINA (3)

Charleston	1
Columbia	1
Greenville	1

TENNESSEE (6)

Chattanooga	1
Johnson City	1
Knoxville	1
Memphis	2
Nashville	1

TEXAS (19)

Abilene	1
Amarillo	1
Austin	1

TEXAS—*Continued*

Beaumont	1
Dallas	2
El Paso	1
Fort Worth	2
Galveston	1
Houston	2
Laredo	1
San Angelo	1
San Antonio	2
Sherman	1
Waco	1
Wichita Falls	1

UTAH (1)

Salt Lake City	1

VERMONT (1)

Burlington	1

VIRGINIA (7)

Lynchburg	1
Newport News	1
Norfolk	2
Portsmouth	1
Richmond	1
Roanoke	1

WEST VIRGINIA (5)

Charleston	1
Clarksburg	1
Huntington	1
Parkersburg	1
Wheeling	1

WISCONSIN (7)

Eau Claire	1
Madison	1
Milwaukee	3
Kenosha	1
Oshkosh	1